# COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS AGENDA ITEM TRANSMITTAL

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(1) DEPARTMENT Administrative Office	(2) MEETING DATE May 23, 2006	(3) CONTACT/PHONE Jim Grant, Administrative Office (805) 781-5011						
(4) SUBJECT Introduction of the Fiscal Year 2006-07 Proposed Budget.								
(5) SUMMARY OF REQUEST This item transmits the 2006-07 Proposed Budget, including Board governed Special Districts, and asks that the Board set June 19, 2006 as the date to begin public hearings on the 2006-07 budget. Copies of the Proposed Budget are now available at all County libraries, the Administrative Office, the Auditor-Controller's Office and on the County's website: www.slocounty.ca.gov.								
(6) RECOMMENDED ACTION	·							
<ol> <li>Adopt a resolution approving the County Administrator's Proposed 2006-07 County Budget for public review, and</li> <li>Schedule public hearings on the Proposed 2006-07 County Budget to begin Monday, June 19, 2006 in the Board of Supervisors Chambers at 9:00 A.M., and</li> <li>Order publication of the required legal notices scheduling the public hearings.</li> </ol>								
(7) FUNDING SOURCE(S) Various local, state and federal revenue	(8) CURRENT YEAR COST 2005-06 Budget \$410.7 million	(9) ANNUAL COST 2006-07 Proposed Budget \$434.6 million	(10) BUDGETED? □ YES □ N/A □ NO					
(11) OTHER AGENCY/ADVISORY GROUP INVOLVEMENT (LIST): All County departments have participated in the development of the Proposed Budget.								
(12) WILL REQUEST REQUIRE ADDITIONAL STAFF? No								
(13) ADMINISTRATIVE OFFICE REVIEW The Administrative Office prepared this agenda item.								
The Administrative Office	prepareu uns agenda ilei	111.						
(14) SUPERVISOR DISTRICT(S) 1st, 2nd, 3rd, 4th, 5th, All		(15) LOCATION MAP  □ Attached to N/A						
(16) AGENDA PLACEMENT  □ Consent □ Presentation  □ Rearin	g (Time Est	(17) EXECUTED DOCUMENTS  Resolutions (Orig + 4 copies)  Ordinances (Orig + 4 copies)	☐ Contracts (Orig + 4 copies)					
(18) NEED EXTRA EXECUTED COPIES    Number:   Attached	117	(19) APPROPRIATION TRANSFER REQUIRED? □ Submitted □ 4/5th's Vote Required ★ N/A						

## County of San Luis Obispo

COUNTY GOVERNMENT CENTER, RM. 370 • SAN LUIS OBISPO, CALIFORNIA 93408 • (805) 781-5011



**DAVID EDGE**COUNTY ADMINISTRATOR

TO:

**BOARD OF SUPERVISORS** 

FROM:

JIM GRANT, DEPUTY COUNTY ADMINISTRATOR

DATE:

MAY 23, 2006

**SUBJECT:** 

INTRODUCTION OF THE FISCAL YEAR 2006-2007 PROPOSED

**BUDGET** 

## RECOMMENDATIONS

1. Adopt a resolution approving the County Administrator's 2006-07 Proposed County Budget for public review, and

2. Schedule public hearings on the 2006-07 Proposed County Budget to begin Monday, June 19, 2006 in the Board of Supervisors Chambers at 9:00 A.M., and

3. Order publication of the required legal notices scheduling the public hearings.

#### DISCUSSION

This item transmits the fiscal year 2006-07 Proposed Budget and sets June 19, 2006 as the time to begin budget hearings. Copies of the Proposed Budget are now available at all County libraries, the Administrative Office, the County Auditor-Controller's Office and on the County's website: www. slocounty.ca.gov.

Development of the 2006-07 Proposed Budget was guided by the budget goals, policies and performance measures adopted by your Board. Within this framework, we have prepared a balanced budget that maintains overall core community services that are sustainable for the foreseeable future.

Continued solid growth in local revenues and an improved state financial outlook allow us to recommend a budget that restores, and in some cases, increases service levels to support the County's mission and community wide results of a safe, healthy, livable, prosperous and well-governed community.

A few of the notable recommendations in this proposed budget include:

- Adding six Deputy Sheriffs to address a growing demand for law enforcement services resulting from new development in the rural areas of the county.
- Shoring up the Library budget by restoring nine and one half positions to prevent random closures that have occurred throughout the year.
- Continuing our commitment to adequately fund parks and road maintenance projects.
- Increasing the General Fund contribution to the Roads Fund by \$3 million to address road related flood control issues. This brings the recommended General Fund contribution to Roads to \$9.2 million.
- Implementing Proposition 63, the Mental Health Services Act, to provide intensive mental health services to the community.
- Increasing the General Fund contribution to Mental Health and Drug and Alcohol by \$1.4 million to avoid painful program cuts such as closing outpatient clinics.
- Creation of a Children's Assessment Center to identify children at risk for developmental or mental health problems.

To implement these, and other recommendations, this budget includes significant cost and staff increases when compared to recent fiscal years. And yet, it falls short of meeting numerous justifiable expense requests by department heads. It is likely your Board will hear complaints from both ends of the spectrum – the budget is "too generous" or the budget is "too tight".

The key, in our view, is "sustainability". For many years now the demand for county government services has exceeded our dollar resources annually and we do not see that dynamic changing in the immediate future. Our budgeting perspective, then, is to look at the long-term revenue trends and determine what are reasonable growth assumptions. Expenditure requests can then be prioritized to fit within those assumptions.

## **KEY FEATURES OF THE 2006-2007 PROPOSED BUDGET**

The proposed 2006-07 budget for all funds is \$434,540,960; a 6% increase or \$23.9 million increase over the current year. The proposed General Fund budget is \$357,975,916; an 8% increase or \$27.8 million over the current year.

## **General Fund Summary**

- The budget is structurally sound. Operational revenue equals operational expenses.
- Contingencies are recommended at 5% as directed by Board policy.
- No reserves were needed to balance the budget.
- Budgets are recommended to keep service levels at or above the current year.

## **Other Funds Summary**

• All other funds, excluding the General Fund (see table above), are recommended

at \$76.6 million.

• The General Fund contribution to Roads, Library and Parks budgets are recommended at higher levels to increase service levels.

## Staffing

The Proposed Budget recommends 2,545.75 full time equivalent (FTE) permanent and limited term positions. This represents a net increase of 39 FTE positions from the current allocation. This includes a reduction of 25.25 positions and an increase in 64.25 positions.

Staffing recommendations reflect a balanced approach to providing additional resources across the broad spectrum of services the County provides. For example, sixteen new positions are recommended for implementing the Mental Health Services Act to provide intensive mental health services to the community; six deputy sheriff positions are recommended to address the growing demand for law enforcement services; nine and one-half library positions are recommended to prevent random closures and four Park positions are recommended to assume management of the Sand and Surf RV park in the south county.

Reductions include the elimination of 19.5 positions on the position allocation list that were associated with the Clinical Lab that was closed in March of this year. A number of other reductions are recommended that are associated with the loss of grant revenue or a result of department reorganizations.

## FINANCIAL CONSIDERATIONS

The 2006-07 Governor's Budget projects that the state will be able to fund much more than a current-law budget (existing services) and still maintain fiscal balance. This is due to a much-improved revenue picture although the state is still faced with a longer-term structural gap between revenues and expenditures. The Governor's budget has some very positive aspects for local government that include:

- The end of ERAF III (Educational Revenue Augmentation Fund). Under the provisions of Proposition 1A, local governments will no longer be required to transfer additional property taxes to the state under ERAF III. In 2004-05 and 2005-06, counties were required to transfer \$350 million in local property tax revenue to ERAF. This means that approximately \$2.3 million in property tax revenue will be retained in the County budget and not transferred to the state in 2006-07.
- Fully funding Proposition 42, transportation funding. This improves the Road Fund budget by over \$1.4 million and allows for additional road maintenance.
- Funding a variety of other County programs such as the Rural and Small County Local Assistance Program that provides \$500,000 to the Sheriff's Department to enhance local law enforcement and the William Act program that provides subventions for counties for property tax losses incurred by enrolling agricultural land under Williamson Act contracts.

## **Significant Cost Impacts**

The cost of baseline service levels, particularly personnel costs continue to increase year after year. Personnel costs will increase over \$14 million from the current year. Personnel costs represent approximately 47% of the County budget.

Department charges for the Liability Program will increase by \$1.6 million in the coming year (from \$2.8 million to \$4.4 million). By redirecting the \$1.6 million savings in 2006-07 Workers' Compensation department charges (see below) to the Liability Fund, the program's revenue/expense gap will be closed and reserves restored to financially sound levels in the coming year.

On the positive side, the Workers' Compensation Program has seen a terrific turn-around in the last year. Total program liabilities, average cost per claim and temporary disability expenses – all key program indicators – continue to decline. So much so, expenses for the Workers' Comp budget will fall by 19% from 2005-06 adopted levels, and 2006-07 department charges for the program will be lowered by \$1.6 million.

## **Revenue Increases**

Local revenue, such as property tax revenue, sales tax and transient occupancy tax continue to increase. Property taxes, which make up about a quarter of the County's revenue, are increasing over 12% next year. Overall, non-departmental revenues are expected to increase by over \$19 million or 17% over the current year.

Proposition 63 - approved by the voters in November 2004, established a state personal income tax surcharge of one percent on taxpayers with annual taxable incomes of more than \$1 million. Funds resulting from the surcharge are to be spent on the expansion of County Mental Health programs. San Luis Obispo County is expected to receive about \$2.5 to \$3 million annually for new mental health programs.

Proposition 172 - Proposition 172 revenues, the ½ cent sales tax approved in 1993 for public protection purposes, are projected to bring in an additional \$2.2 million over current year levels.

Mandated Reimbursements (SB 90) - Beginning in 2006-07 the State will begin to repay counties for SB 90 claims filed for fiscal years 2002-03 through 2004-05 when there was no available State funding. The total amount of this "loan" is approximately \$3 million, which will be repaid with interest over fifteen years.

### **RESULTS**

The overall goal of the County budget is to fund departments to provide services to the public that result in providing a safe, healthy, livable, prosperous and well-governed community.

Each county department has developed goals and performance measures that link to the community wide results listed above. These goals and performance measures are included in the Proposed Budget.

Attachments—Fiscal year 2006-07 Proposed Budget
Resolution approving the Proposed Budget
Hearing notice



## IN THE BOARD OF SUPERVISORS

COUNTY OF SAN LUIS OBISPO, STATE OF CALIFORNIA

			 day	, 2006
PRESENT:				
ABSENT:				
	RESOL	UTION NO.		

#### RESOLUTION APPROVING THE PROPOSED BUDGET FOR FISCAL YEAR 2006-07

The following resolution is hereby offered and read:

WHEREAS, The County Budget Act requires each official person in charge of any budget unit to file with the Auditor, or the County Administrative Officer, if so designated, an itemized estimate of available financing, financing requirements and any other matter required by the Board for the forthcoming fiscal year on or before June 10 of each year, and

WHEREAS, pursuant to Government Code 29061, this Board of Supervisors has designated the County Administrative Officer to review and recommend changes of said estimates for submission to the Board of Supervisors by June 30; and

WHEREAS, this Board of Supervisors has received said estimates pursuant to Government Code Section 29062 and has reviewed them pursuant to Section 29063 of the Government Code.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED that the Board of Supervisors of San Luis Obispo County, State of California, does hereby approve the budget tabulation attached hereto as Exhibit A as its County Proposed Budget Document (including Special Districts) for fiscal year 2006-07.

## BE IT FURTHER RESOLVED AND ORDERED by this Board of Supervises as follows:

- The County Administrator is hereby directed to reproduce the budget tabulation attached hereto as Exhibit A as the County Proposed Budget Document for fiscal year 2006-07.
- 2. The County Clerk-Recorder is hereby directed to publish a notice stating that:
  - a. The general public may review a copy of the 2006-07 Proposed Budget
    Document in the County Administrative Office, the County AuditorController's Office, all County libraries and the County website;
  - The Board of Supervisor's will conduct public hearings on the 2006-07 Proposed Budget commencing at 9:00 a.m., on June 19, 2006, in the Board of Supervisors Chambers;
  - c. During the public hearings, any member of the general public may appear and be heard regarding any item in the proposed budget or for the inclusion of additional items. All proposals for changes (increases, decreases or additions) to the budget shall be submitted in writing to the Clerk of the Board prior to the close of the Public hearings.
- 3. Public hearings must be concluded within ten (10) calendar days if there are no requests or applications on file with the Board for further hearings.



Upon motions of Supervisor	, secor	nded by	Supervisor
, and on the followin	g roll call, to wit:		
AYES:			
NOES:			
ABSENT:			
ABSTAINING:			
The foregoing resolution is hereby adopted.			
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	Chairperson of the	Board of	f Supervisors
ATTEST			
Clerk of the Board of Supervisors			
By:			
APPROVED AS TO FORM AND LEGAL EFFEC	T		
JAMES B. LINDHOLM, JR. County-Compasel			
By LE CAL			
Assistant County Counsel			

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